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E.O. 12958: DECL: 10/31/2017
TAGS: [EFIN](#) [ETTC](#) [JA](#) [KNNP](#) [PARM](#) [PREL](#)
SUBJECT: RESPONSE TO INFORMATION REQUEST: IDENTIFYING TOOLS
FOR POSSIBLE USE AGAINST IRANIAN FINANCIAL INSTITUTIONS

REF: SECSTATE 149523

Classified By: Ambassador J. Thomas Schieffer. Reasons 1.4 (B) (D)

11. (C) Following are the answers to REF A request for identification of tools for possible use against Iranian financial institutions, in original sequence.

12. (S) Question: Which governmental agencies govern banks? What actions can the government take against banks, especially in regard to penalizing activities such as proliferation or terrorism financing and money laundering? Answer: The Japan Financial Services Agency (FSA) regulates and supervises banks. As the regulator, the FSA has the authority to impose business improvement orders and impose punitive financial sanctions on institutions that have run afoul of illicit finance regulations; the Banking Act, Article 26 stipulates suspension for unsound business operations, and Article 27 stipulates banking license revocation for activities or operations that are illegal or that could undermine public interests. The FSA has enforced limited, temporary suspension of certain banking operations for money-laundering non-compliance in the past. The FSA's role is supported by the National Police Agency's Japan Financial Intelligence Center, which is responsible for investigating suspicion transaction reports.

13. (S) Question: Can host government revoke the operating licenses for foreign financial institutions? Which government agency can do so, and on what grounds? What is the legal standard for revoking a license? Answer: The FSA can revoke licenses for foreign financial institutions, on any number of grounds, the commission of which must be illegal, systemic and egregious.

14. (S) Question: Does the host government have any way to mandate that banks close correspondent accounts with Iranian banks, on proliferation or other grounds? Answer: The government of Japan will apply UNSCR measures applying to Iranian proliferation. Other grounds for closing correspondent accounts with Iranian banks would require either specific new legislation, or new UN resolutions.

15. (S) Question: Other than revoking operating licenses, are there other host government legal mechanisms which could be used to cut off Iran-related financial transactions? For example, can the host government monitor or prevent Iranian banks from engaging directly or indirectly in transactions denominated in the host nation currency? Answer: The host government could monitor or prevent Iranian banks from engaging directly or indirectly in yen transactions, given appropriate legal grounds. Other mechanisms depend on the nature of the transaction, and on the obligation mandated by the UN resolution or new legislation.

¶6. (S) Question: Are there ways other than legal authorities in which the host government can induce or encourage financial institutions to cut off Iran-related financial ties? Can the regulating authority issue a financial advisory regarding the proliferation, terrorism finance, or money-laundering activities of Iran's state-owned banks? Answer: FSA can issue a financial advisory regarding proliferation, terrorism finance, or money-laundering activities of Iran's state-owned banks. Any such advisory would have to be accompanied with new and compelling evidence of previously unknown activity.

¶7. (S) Question: Is there any other information we should be aware of to shape this effort? Answer: With specific regard to Japan, host country dependence on energy imports is a critical dimension to this issue; asking Japan to sever links with Iran is tantamount to asking them to undermine Japan's energy security. Major Japanese financial institutions and government officials are well-aware of U.S. positions on these issues and have been sensitized to the reputation risks of doing business with Japan, and the potential complications for their U.S. operations if any wrongdoing is discovered.
SCHIEFFER